

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Michael Kubayanda, Chairman;  
Ann C. Fisher, Vice Chairman;  
Mark Acton;  
Ashley E. Poling; and  
Robert G. Taub

Competitive Product Prices  
Inbound Parcel Post (at UPU Rates)

Docket No. CP2023-54

ORDER ACKNOWLEDGING CHANGES IN RATES  
FOR INBOUND PARCEL POST (AT UPU RATES)

(Issued December 16, 2022)

I. INTRODUCTION

On November 22, 2022, the Postal Service filed notice announcing its intention to change rates not of general applicability for Inbound Parcel Post (at Universal Postal Union (UPU) Rates) effective January 1, 2023.<sup>1</sup> For the reasons discussed below, the Commission acknowledges the planned rate changes for Inbound Parcel Post (at UPU Rates).

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<sup>1</sup> Notice of the United States Postal Service of Filing Changes in Rates Not of General Applicability for Inbound Parcel Post (at UPU Rates), and Notice of Filing Non-Public Materials Under Seal, November 22, 2022, at 1 (Notice).

## II. BACKGROUND

At the time it established separate product lists for Market Dominant and Competitive products in 2007, the Commission assigned Inbound Air Parcel Post to the Competitive product list.<sup>2</sup> In 2009, Inbound Air Parcel Post was bifurcated.<sup>3</sup> In Order No. 362, the existing product, Inbound Air Parcel Post, was renamed Inbound Air Parcel Post (at non-UPU Rates). Order No. 362 at 8-9. The Commission approved the addition of a new product, Inbound Air Parcel Post (at UPU Rates), to the Competitive product list. *Id.* An initial review of the new product's prices indicated compliance with statutory requirements. *Id.* On June 26, 2014, the Commission accepted proposed price changes for Inbound Air Parcel Post (at UPU Rates).<sup>4</sup>

On August 19, 2014, the Commission approved the Postal Service's request to: (1) transfer Inbound Surface Parcel Post (at UPU Rates) from the Market Dominant product list to the Competitive product list; (2) merge the transferred product with Inbound Air Parcel Post (at UPU Rates); and (3) identify the merged product as Inbound Parcel Post (at UPU Rates).<sup>5</sup> An initial rate review indicated compliance with statutory requirements. Order No. 2160 at 7. As part of Order No. 2160, Inbound Air Parcel Post (at UPU Rates) and Inbound Surface Parcel Post (at UPU Rates) were merged into a single product identified as Inbound Parcel Post (at UPU Rates). *Id.*

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<sup>2</sup> Docket No. RM2007-1, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, October 29, 2007, at 100 (Order No. 43).

<sup>3</sup> See Docket Nos. MC2010-11 and CP2010-11, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List, December 15, 2009 (Order No. 362).

<sup>4</sup> Docket No. CP2014-52, Order Accepting Price Changes for Inbound Air Parcel Post (at UPU Rates), June 26, 2014, at 5 (Order No. 2102). In Order No. 2102, the Commission also directed the Postal Service to provide, in future filings, a citation to where the applicable inward land rates can be located in the relevant UPU International Bureau (IB) Circular and to provide a copy of that circular. *Id.* In addition, the Commission directed the Postal Service to provide an update, as part of each filing, of information and data that had been provided in the Management Analysis that had accompanied the prices proposed for Inbound Air Parcel Post (at UPU Rates). *Id.* at 5-6.

<sup>5</sup> Docket No. MC2014-28, Order Approving Product List Transfer, August 19, 2014, at 8 (Order No. 2160).

In Order No. 4933, the Commission directed the Postal Service to include a citation to the relevant UPU International Bureau (IB) Circular, a copy of the relevant IB Circular, and an update to the inflation-linked adjustment for inward land rates previously submitted, with each future filing regarding price changes for the Inbound Parcel Post (at UPU Rates) product.<sup>6</sup>

### III. PROCEDURAL HISTORY

On November 22, 2022, the Postal Service filed notice announcing its intention to change rates not of general applicability for the Inbound Parcel Post (at UPU Rates) product, effective January 1, 2023. Notice at 1. On November 28, 2022, the Commission issued a notice establishing the instant docket, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>7</sup> On December 6, 2022, the Public Representative filed comments.<sup>8</sup> No other comments were received.

### IV. CONTENTS OF THE NOTICE

With the Notice, the Postal Service filed: a redacted copy of Governors' Decision No. 19-1, a redacted copy of the UPU International Bureau (IB) Circular 186 that contains the new rates, a copy of the certification required under 39 CFR 3035.105(c)(2), redacted Postal Service data used to justify any bonus payments, and a copy of the Postal Service's submission to the UPU in support of an inflation-linked adjustment. Notice at 2-3; see *id.* Attachments 2-6. The Postal Service also filed redacted Excel versions of financial workpapers. Notice at 3.

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<sup>6</sup> Docket No. CP2019-43, Order Acknowledging Changes in Prices for Inbound Parcel Post (at UPU Rates), December 19, 2018, at 5 (Order No. 4933).

<sup>7</sup> Notice and Order Concerning Changes in Rates for Inbound Parcel Post (at UPU Rates), November 28, 2022 (Order No. 6342).

<sup>8</sup> Public Representative Comments on Changes in Prices for Inbound Parcel Post (at UPU rates), December 6, 2022 (PR Comments).

Additionally, the Postal Service filed an unredacted copy of Governors' Decision 19-1, an unredacted copy of the UPU IB Circular 186, and unredacted Postal Service data used to justify any bonus payments under seal. See *id.* at 2. The Postal Service filed an application for non-public treatment of materials filed under seal. *Id.*; *id.* Attachment 1.

The Postal Service states that it has provided supporting documentation as required by Order No. 2102 and Order No. 2310.<sup>9</sup> In addition, the Postal Service states that it provided citations and copies of relevant UPU IB Circulars and updates to inflation-linked adjustments as required by Order No. 4933. Notice at 6.

In particular, the Postal Service explains that for the performance data used to justify bonus payments in Attachment 5, it relied on its performance data during the last 6-month period prior to the pandemic (*i.e.*, August 2019 through January 2020), instead of the normal 6-month period of February 2022 through July 2022, as the basis for bonus payments. *Id.* at 3-4, 5. This is because the COVID-19 pandemic continued to affect the performance of numerous postal operators during the 6-month period of February 2022 through July 2022. *Id.* at 3-4. Thus, it was treated as a force majeure event, and the UPU's Postal Operations Council determined to base the January 2023 parcel rates on performance during the 6-month period of August 2019 through January 2020 instead. *Id.*

For the inflation-related adjustment included in Attachment 6, the Postal Service explains that “[a]lthough the documentation reflects an inflation rate of 8.5% for the period of July 2021 to July 2022, the UPU Convention Regulations article 33-202.1.1 caps the inflation-related adjustment at 5%.” *Id.* at 5.

The Postal Service asserts that the financial workpapers demonstrate that the Inbound Parcel Post (at UPU rates) product should preclude the subsidization of Competitive products by Market Dominant products, cover its attributable costs, and not

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<sup>9</sup> Notice at 4-6. See Order No. 2102 at 6, 7; Docket No. CP2015-24, Order Accepting Changes in Rates for Inbound Parcel Post (at UPU Rates), December 29, 2014, at 4 (Order No. 2310).

impair the ability of Competitive products collectively to cover an appropriate share of the institutional costs, in accordance with 39 U.S.C. 3633(a) and 39 C.F.R. 3035.107. *Id.* at 6. Therefore, the Postal Service states it has met its burden of providing notice to the Commission of changes in rates for this product as required by 39 U.S.C. 3632(b)(3), and requests favorable review of the new rates. *Id.* at 6-7.

## V. COMMENTS

The Commission received comments from the Public Representative on December 6, 2022. No other interested party filed comments. The Public Representative states that based upon her review of the financial data, the rates for the Inbound Parcel Post (at UPU Rates) product “should generate sufficient revenues to cover costs and therefore meet the requirements of” 39 U.S.C. 3633(a). PR Comments at 2. She recommends that “the Commission approve the rates for Inbound Parcel Post (at UPU Rates).” *Id.*

## VI. COMMISSION ANALYSIS

The Commission reviews rate changes for Competitive products in terms of the criteria in 39 U.S.C. 3633(a). These criteria prohibit the subsidization of Competitive products by Market Dominant products (3633(a)(1)); require each Competitive product to cover its attributable costs (3633(a)(2)); and require Competitive products as a whole to cover an appropriate share of institutional costs (3633(a)(3)).

The Commission has reviewed the Notice, supporting documentation, and the Public Representative’s comments. The Commission finds that the rates presented in the Notice should not lead to the subsidization of Competitive products by Market Dominant products; should cover its attributable costs; and should have a positive effect on the contribution that Competitive products make to institutional costs. Accordingly, the planned rates for the Inbound Parcel Post (at UPU Rates) product satisfy the relevant statutory criteria and regulatory requirements of 39 U.S.C. 3633(a) and 39 C.F.R. 3035.107.

VII. ORDERING PARAGRAPH

*It is ordered:*

The Commission acknowledges the planned rate changes for Inbound Parcel Post (at UPU Rates).

By the Commission.

Erica A. Barker  
Secretary